

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 21, 2011**

A regular meeting of the Nebraska Investment Council convened at 8:33 a.m. at the Embassy Suites Hotel in La Vista, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on September 2, 2011, and published in the Lincoln Journal Star on September 11, 2011. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

MEMBERS PRESENT:

Ms. Gail Werner-Robertson, Chairman
Dr. Richard DeFusco
Mr. John Maginn
Mr. John Dinkel
Mr. Norm Riffel
Treasurer Don Stenberg (departed at 11:40 a.m. and returned at 1:25 p.m.)
Ms. Phyllis Chambers

NONMEMBERS IN ATTENDANCE:

Mr. Jeff States, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Christopher Heinrich, Harding & Shultz
Mr. Kevin Vandolder, Hewitt EnnisKnupp
Mr. Scott McLerran, Hewitt EnnisKnupp
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Ms. Nancy Williams, Hewitt EnnisKnupp
Mr. Rob Parkinson, Hewitt EnnisKnupp
Ms. Rachel Biar, Director, College Savings Program

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:33 a.m. to 8:34 a.m. Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

APPROVAL OF THE MINUTES OF THE AUGUST 17, 2011 MEETING: 8:34 a.m. to 8:35 a.m. Mr. Maginn moved that the August 22, 2011, draft of the minutes of the August 17, 2011, meeting be approved as written. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Dr. DeFusco
	Mr. Maginn
	Mr. Dinkel
	Mr. Riffel

ABSTAINING:	Ms. Werner-Robertson
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The motion carried.

COUNCIL MEMBER BUSINESS: 8:35 a.m. to 8:40 a.m. Ms. Werner-Robertson welcomed everyone to the meeting. Ms. Werner-Robertson wanted to especially thank Dr. DeFusco and Mr. Dinkel for their work on the RFP for the Investment Consultant Search. Ms. Werner-Robertson stated that at today's meeting the Council would be reviewing the Statement of Investment Policy for both Private Equity and Real Estate and continue with the discussion on the Fixed Income Strategy. Also, Hewitt EnnisKnupp would be providing information on the European sovereign debt crisis.

PRIVATE EQUITY UPDATE BY HEWITT ENNISKNUPP: 8:40 a.m. to 9:15 a.m.

2nd Quarter 2011 Performance Report: Mr. Parkinson reviewed with the Council the 2011 2nd Quarter Private Equity Performance Report included in the meeting book. Mr. Parkinson's presentation covered the following: market update, Private Equity portfolio overview, fund performance, and pacing update.

Introduction of Proposed Commitment to Leonard Green & Partners, L.P. (LGP): Mr. Parkinson reviewed

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 21, 2011**

with the Council the fund Green Equity Investors VI, L.P. (GEI VI) being offered by LGP. LGP focuses on companies operating in five key areas: retail/consumer products, distribution, healthcare, aerospace/defense, and consumer/business services. The fund, GEI VI is a large-buyout fund that will invest in middle-market companies located in North America. Mr. Parkinson indicated that Hewitt EnnisKnupp has conducted a thorough qualitative and quantitative assessment of Leonard Green & Partners, L.P. and the Fund. Mr. Parkinson discussed the investment merits and concerns associated with the Firm. Mr. Parkinson indicated that Hewitt EnnisKnupp and the NIC staff recommend that the Council commit \$20 million to Green Equity Investors VI, L.P. A copy of the presentation was included in the meeting book.

PRESENTATION BY LEONARD GREEN & PARTNERS, L.P.: 9:15 a.m. to 10:15 a.m. Mr. States introduced Mr. Jonathan Sokoloff, Managing Partner and Mr. John Danhaki, Managing Partner. Their presentation included an overview of the firm, investment strategy, and provided information on the proposed fund, Green Equity Investors VI, L.P. During the presentation in response to a question about the fees and length of the investment period they said that in prior funds the management fee had voluntarily been waived during the initial period until the first investments were made. A copy of the presentation was included in the meeting book.

Following the presentation by Leonard Green & Partners, L.P. and discussion by the Council, Mr. Maginn moved to commit \$20 million from the Defined Benefit Plan and Cash Balance Benefit to Green Equity Investors VI, L.P. subject to legal review of the Limited Partnership Agreement by counsel provided by Hewitt EnnisKnupp and by the Council's attorney. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn
	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco

The motion carried.

The Council took a break and reconvened at 10:30 a.m.

PRIVATE EQUITY STATEMENT OF INVESTMENT POLICY UPDATING: 10:30 a.m. to 10:55 a.m. Mr. Parkinson discussed with the Council the Private Equity Valuation Guidelines, which provides a framework for valuing private market assets. A copy of the presentation is included in the attachments to the minutes.

As requested by the Council, Mr. States and Mr. Parkinson presented to the Council for their consideration a redline version of proposed changes to the Private Equity Statement of Investment Policy, which was included in the meeting book. The Council discussed the policy and made several changes to it. Following additional discussion, Mr. Riffel moved to accept the Private Equity Statement of Investment Policy subject to the changes made by the Council. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn

The motion carried.

REAL ESTATE STATEMENT OF INVESTMENT POLICY UPDATING: 10:55 a.m. to 11:40 a.m. Mr. States presented to the Council for their consideration a redline version of proposed changes to the Real Estate Statement of Investment Policy, which was included in the meeting book. The Council discussed the policy and made several changes to the policy. Mr. States reminded the Council that as part of the revised policy, the public REIT allocation is eliminated. This means that the two existing REIT managers will be terminated by the calendar year end. Following discussion, Dr. DeFusco moved to accept the Real Estate Statement of Investment Policy subject to the changes made by the Council. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 21, 2011**

VOTING AYE: Mr. Riffel
 Ms. Werner-Robertson
 Dr. DeFusco
 Mr. Maginn
 Mr. Dinkel

The motion carried.

The Council requested that copies of both the final updated Private Equity Statement of Investment Policy and the Real Estate Statement of Investment Policy be sent to them.

Mr. Vandolder and Mr. McLerran discussed with the Council the preliminary performance of the Defined Benefit Plan as of August 31, 2011, and provided information on the European sovereign debt crisis and the exposure to Europe in the NIC's investments. Copies of both presentations are included in the attachments to the minutes.

Treasurer Stenberg left the meeting at 11:40 a.m.

FIXED INCOME INVESTMENT STRUCTURE ALTERNATIVES BY HEWITT ENNISKNUPP: 11:40 a.m. to 12:10 p.m. Mr. Vandolder and Mr. McLerran provided follow-up on the fixed income structure alternatives discussed at the July Retreat. They discussed with the Council five scenarios on adding a global fixed income allocation. Following discussion by the Council, Mr. Maginn moved to adopted scenario 5 in two steps, the first step is to reduce BlackRock Universal by 8%, reduce BlackRock passive by 7.5%, and retain Rogge Global at 15.5%, step two, assess the changes in six months, if satisfied implement the remaining strategy. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Ms. Werner-Robertson
 Dr. DeFusco
 Mr. Maginn
 Mr. Dinkel
 Mr. Riffel

The motion carried.

The Council took a break and reconvened at 12:25 p.m.

OPERATING INVESTMENT POOL INVESTMENT POLICY STATEMENT: 12:25 p.m. to 12:45 p.m. Mr. States presented to the Council for their consideration a draft of the Operating Investment Pool Investment Policy. Following discussion by the Council, Dr. DeFusco moved to adopt the policy as written, pending legal review by the NIC's legal counsel and that in six months do an assessment of the change. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Dr. DeFusco
 Mr. Maginn
 Mr. Dinkel
 Mr. Riffel
 Ms. Werner-Robertson

The motion carried.

GALLIARD CAPITAL MANAGEMENT INVESTMENT MANAGEMENT AGREEMENT AMENDMENT: 12:45 p.m. to 12:55 p.m. Mr. David Ferry, Senior Director, Galliard Capital Management gave an update on the portfolio. Mr. States and Mr. Ferry discussed the proposed amendment to the Galliard Management agreement, which would provide for the co-management of the Barclays U.S. Intermediate Government/Corporate portion of the Operating Investment Pool by the NIC staff and Galliard. Following discussion by the Council, Mr. Riffel moved to adopt the amendment subject to review by the NIC's legal counsel. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 21, 2011**

VOTING AYE: Mr. Maginn
Mr. Dinkel
Mr. Riffel
Ms. Werner-Robertson
Dr. DeFusco

The motion carried.

PROPOSED EXCESS LIABILITY AND MISCELLANEOUS TRUST INVESTMENT POLICY STATEMENTS: 12:55 p.m. to 1:10 p.m. Mr. States presented to the Council for their consideration a revised Excess Liability Investment Policy Statement (IPS). The change is to update the IPS to more closely match the current IPS format used for other funds. Following discussion by the Council, Mr. Dinkel moved to adopt the updated Excess Liability Investment Policy Statement. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Mr. Dinkel
Mr. Riffel
Ms. Werner-Robertson
Dr. DeFusco
Mr. Maginn

The motion carried.

Mr. States presented to the Council for their consideration a revised Agricultural Development Fund Investment Policy Statement. The changes are to (1) update the IPS to more closely match the current IPS format used for other funds; (2) Clarify the use of the funds; (3) Update investment Objectives based on discussions with the Department of Agriculture; and (4) Added language limiting the use of mortgage-backed securities to a maximum of 25%. Following discussion by the Council, Mr. Maginn moved to adopt the updated Agricultural Development Fund Investment Policy Statement. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Mr. Riffel
Ms. Werner-Robertson
Dr. DeFusco
Mr. Maginn
Mr. Dinkel

The motion carried.

Mr. States presented to the Council for their consideration a revised Aeronautics Trust Fund Investment Policy Statement. The changes are to (1) update the IPS to more closely match the current IPS format used for other funds; (2) Clarify the use of the funds; (3) Update investment objectives based on discussions with the Department of Aeronautics; and (4) Added language limiting the use of mortgage-backed securities to a maximum of 25% and requiring a minimum of 50% of the portfolio in Treasuries. Following discussion by the Council, Mr. Riffel moved to adopt the updated Aeronautics Trust Fund Investment Policy Statement. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Ms. Werner-Robertson
Dr. DeFusco
Mr. Maginn
Mr. Dinkel
Mr. Riffel

The motion carried.

STATE FARM/OPPENHEIMER COLLEGE SAVINGS PLAN INVESTMENT CHANGE REQUEST: 1:10 p.m. to 1:15 p.m. Mr. States and Ms. Winkler discussed the memos included in the meeting book from Oppenheimer in conjunction with State Farm to replace the OFIPI Baring International Strategy with the

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 21, 2011**

Oppenheimer International Growth Fund and the Oppenheimer Developing Markets Fund. Following discussion by the Council, Mr. Maginn moved to approve the request to replace the OFIPI Baring International Strategy with the Oppenheimer International Growth Fund and the Oppenheimer Developing Markets Fund. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Dr. DeFusco
	Mr. Maginn
	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson

The motion carried.

NPERS Director's Report: 1:15 p.m. to 1:35 p.m. Ms. Chambers reported that the State and County audit has just been completed. Mr. Dave Slishinsky, Buck Consultants will be doing a presentation before the Legislative Retirement Committee on the 30 Year Project Model. Ms. Chambers commented on the number of School retirements NPERS has been working on during the summer. Ms. Chambers indicated that in the near future, rollovers into a Roth IRA will be allowed in the Defined Compensation Plan for State Plan members. She stated that NPERS is finalizing the award for the Compliance Audit.

Treasurer Stenberg returned to the meeting at 1:25 p.m.

EXECUTIVE SESSION: 1:35 p.m. to 2:15 p.m. Dr. DeFusco moved that the Council enter into closed session for the following:

The subject matter of the closed session involves information collected by the ad hoc committee formed to assist the Council in its search for an investment consultant.

The reasons for the closed session are to protect the confidentiality of certain confidential information provided to the committee and to discuss and develop contract negotiation tactics and strategies, which should be kept confidential to protect the public interest.

Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn
	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco

The motion carried.

Ms. Werner-Robertson requested that only the members of the Council, Mr. Heinrich, and Mr. Jurich be present and all others in attendance were excused.

At 2:15 p.m. Mr. Dinkel moved that the Council return to open session. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn

The motion carried.

STATE INVESTMENT OFFICER'S REPORT: 2:15 p.m. to 2:37 p.m.

NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 21, 2011

Update on Robb Evans & Assoc. (Receiver for WG Trading) v. NIC: Mr. Heinrich provided information regarding the lawsuit that is publicly available.

Agency Budget Update: Mr. States reviewed the Agency's August 31, 2011 Budget Report and indicated that the Agency is under-budget for the month and fiscal YTD.

Proxy Voting Report: Mr. States reviewed with the Council the annual Proxy Voting Report, which was included in the meeting book and indicated that all manager's proxy voting policies and voting records are on file in the NIC office and available for review.

University Fund N Report: Mr. States reviewed with the Council the report included in the meeting book and indicated that the 3rd Quarter Performance Report will be provided at the November meeting.

IMAs Executed Since Last Meeting: Mr. State reported that no agreements were executed since the last Council meeting.

Joseph J. Soukup Trust Fund: Mr. States reported that the Joseph J. Soukup Trust Fund has been liquidated and that the funds will be returned to the State Treasurer to transfer them to the appropriate State account.

Staffing Update: Mr. States reported Ms. Marla Bush has been hired as the Office Clerk. Ms. Bush started with the NIC on September 14, 2011.

Action Plan, Conferences, and Articles: Mr. States indicated that he will be attending the annual NASIO conference the first week of October in Portland, OR. The joint meeting with the Public Employees Retirement Board will be on November 21, 2011, at the Lincoln Cornhusker Hotel, beginning at 8:30 a.m.

Treasurer Stenberg Report: Treasurer Stenberg indicated that the College Savings Plan's call center in Kansas City, MO is fully completed and going well. Treasurer Stenberg reported that scholarships for the 2011 College Savings Program's "Why I Want to Go to College" essay winners are being awarded.

PUBLIC COMMENT ON THE AGENDA: 2:37 p.m. to 2:40 p.m. Dr. DeFusco asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 2:40 p.m. Mr. Dinkel moved to adjourn the meeting. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:

Mr. Riffel
Ms. Werner-Robertson
Dr. DeFusco
Mr. Maginn
Mr. Dinkel

The motion carried.


Kathy Dawes, Secretary